LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 6117 | **NOTE PREPARED:** Mar 23, 2008
BILL NUMBER: SB 42 | **BILL AMENDED:** Mar 13, 2008

SUBJECT: Medicaid and Health Education Centers.

FIRST AUTHOR: Sen. Miller | **BILL STATUS:** Enrolled
FIRST SPONSOR: Rep. C. Brown

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State
DEDICATED
FEDERAL

Summary of Legislation: This bill adds the determination of whether a managed care organization that has contracted with the state to provide Medicaid services has performed the terms of the contract to the duties of the Select Joint Commission on Medicaid Oversight.

The bill also repeals a provision that provides for the expiration of the Commission on December 31, 2008.

The bill requires certain managed care organizations (MCOs) participating in the Medicaid program to: (1) be accredited by the National Committee for Quality Assurance (NCQA) by January 1, 2011; and (2) accept electronic claims for payment.

The bill extends the expiration of the Office of the Secretary of Family and Social Services (FSSA), certain divisions within FSSA, and the Office of Medicaid Policy and Planning (OMPP) until January 1, 2010, and provides that actions taken after December 31, 2007, by FSSA, certain divisions within FSSA, and OMPP are legalized and validated to the same extent that the actions would have been legal and valid if they had been taken before January 1, 2008.

(The introduced version of this bill was prepared by the Select Joint Commission on Medicaid Oversight.)

Effective Date: December 31, 2007 (retroactive); July 1, 2008.

Explanation of State Expenditures: *Select Joint Commission on Medicaid Oversight:* This bill would continue the legislative authorization for the Select Joint Commission on Medicaid Oversight that otherwise would expire on December 31, 2008. The Commission investigates and oversees matters related to the

Medicaid and Children's Health Insurance Program (CHIP).The addition of oversight for Medicaid contracts with managed care organizations to the duties of the Commission is a reflection of current contractual obligations within the Medicaid program.

During the 2007 interim, the 12-member Commission held five meetings and spent approximately $8,403. Legislative Council resolutions in the past have established budgets for interim study committees in the amount of $9,500 per interim for committees with fewer than 16 members, such as the Select Joint Commission on Medicaid Oversight.

Managed Care Provisions: This bill would require that an MCO that has contracted with the OMPP and a behavioral health MCO that has subcontracted with an MCO under contract with OMPP must be accredited by the NCQA not later than January 1, 2011. The bill also requires these entities to accept, receive, and process claims that are filed electronically by Medicaid providers. Both requirements are administrative requirements for Medicaid contractors or their subcontractors.

Any increase or decrease in administrative costs to MCOs occur within the capitated managed care contracts. The increased cost does not represent a direct savings or cost to the state since the state pays a capitated amount for each MCO member month regardless of the cost incurred by the MCO for administrative expense or the member's care. Increased costs to the state are reflected only to the extent that the increased risk-based managed care costs would be passed through to the state in the negotiated rates. Rate adjustments generally occur in January.

Medicaid is jointly funded by the state and federal governments. The state share of program expenditures is approximately 38%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%. Administrative expenditures are generally matched at 50%.

FSSA Authorization: This bill extends to January 1, 2010, the expiration date of the administrative structure of Family and Social Services Administration (FSSA). The FSSA administrative offices affected are:

(1) The Office of the Secretary of Family and Social Services.
(2) The Office of Medicaid Policy and Planning.

The bill also extends to January 1, 2010, the expiration date of a statute that governs procedures of the Family and Social Services Committee and the division advisory councils and extends the expiration date of statutes that relate to certain powers of the directors of the following divisions:

(1) Disability and Rehabilitative Services.
(2) Family Resources.
(3) Mental Health and Addiction.
(4) Aging.

This bill will authorize the administrative structure of FSSA as it currently exists, to continue until January 1, 2010. The expiration of the statutory authority would not necessarily have an immediate fiscal impact depending upon the actions of the administration. Upon its statutory expiration on July 1, 1999, FSSA was extended by the Governor's executive order. Any potential fiscal impact from the termination of the authority for the positions would likely arise from the loss of appointing authority. Any potential fiscal impact of the termination of the entities authorized in the statute would involve the loss of rule-making authority as well as the federal single-state-agency designations, such as for Medicaid and Vocational Rehabilitation, that is vested in these entities.

Current salary and fringe benefit levels of the Secretary of FSSA, five broad-band executives, and four division directors total about $1,366,213 per year. Potential costs associated with the Family and Social Services Committee (assuming 12 meetings per year) and the 3 division advisory councils (assuming 12 meetings per year per council) would be about $38,000 per year. Therefore, the total expenditures associated with the ten administrative positions and the advisory bodies total about $1.4 M per year. (If the statutory elimination of the offices were construed to include all individuals employed within the offices of FSSA, the total personnel costs associated with those positions would be significantly greater.)

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Legislative Council; OMPP, FSSA.

Local Agencies Affected:

Information Sources: Legislative Council Resolution 07-02 - "Policies Governing Study Committees".

Fiscal Analyst: Kathy Norris, 317-234-1360.